Kandla Bhatinda Pipeline (KBPL) to 8.8 million metric tonnes per annum (MMTPA) was approved in the year 1998 considering the increasing trend of demand and anticipated transportation requirements in the future years. As the projected requirements of KBPL were higher than the then available capacity of KBPL, the proposal to augment the pipeline capacity was taken up to ensure adequate supply of products to strategically sensitive and high growth North-West region of the country. The executed cost of this scheme was Rs. 66.68 crore.

(c) and (d) During execution of KBPL, the contractor could not complete the work in time. Owing to that delay, the Bank Guarantee (BG) of Rs. 87.5 crore were encashed as per the provisions of the contract by Indian Oil Corporation Limited (IOCL). An amount of Rs. 30 crore (approximately) was paid as interest against the BG encashed. The payment of interest on the amounts of BG encashed (for non-performance of contract) was part of the over all settlement of all disputes relating to the composite work contract for 6 MMTPA capacity which were the subject matter of the then ongoing arbitration proceedings in the matter. The payment to the contractor was released after the proposed settlement was duly approved and after obtaining the Arbitral Award from the Arbitration Tribunal (formed on the directions of the Hon'ble Supreme Court of India), closing the Arbitration proceedings.

The amount against the encashed BG was utilized by IOCL for its operations. Had the BG not been encashed, IOCL would have had to take a bank loan to meet fund requirements and paid interest on it. Thus, IOCL has not suffered by payment of interest.

Demand for royalty from A.P. Government

1686. SHRIMATI N.P. DURGA: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Government have received any proposal from the State Government of Andhra Pradesh for its share in the form of royalty from Gujarat State Petroleum Corporation from the recent natural gas finds in K.G. Basin;

(b) whether Government have initiated any negotiations with the above company;

(c) if so, the details thereof; and

(d) if not, the reason therefor?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYER): (a) to (d) In terms of the Petroleum and Natural Gas Rules, 1959 (Rule-5), as amended from time to time, any land or mineral lying under the ocean within the territorial waters or continental shelf of India vests in the Union and licenses or leases for Petroleum operations are granted by the Central Government. Hence, all discoveries and consequent production from any offshore area, royalty accrues to the Central Government. In respect of production from onland areas, the State Government would be entitled to royalty. In the case of the recent gas finds in the offshore KG Basin, royalty under the Petroleum and Natural Gas rules would accrue to the Central Government.

Abandoned oilfields in Western Offshore

1687. SHRI CHITTABRATA MAJUMDAR: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the status of production in oil bearing structures in Ratna-R-Series in Western offshore;

(b) whether they are at present lying in abandoned condition in spite of the present global oil crisis;

(c) whether ONGC had discovered oil in this area and produced oil from 1983 to 1994; and

(d) if so, the reasons for not handing over the oilfields back to ONGC?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) Pursuant to the Discovered Field Policy of the Government, Ratna-R-Series field was offered as one of the fields for development under the joint venture arrangement. The field was awarded to the consortium of Essar Oil Limited, Premier Oil and Oil & Natural Gas Corporation Limited (ONGC), where private companies have 60% participating interest and ONGC 40%. The Production Sharing Contract (PSC) for the field could not be finalised till date as certain issues are still required to be decided by Government before a final decision on the finalisation of the PSC is taken.